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Decision of May 9, 2017

By the [Division of Banks](#)

**DECISION
RELATIVE TO THE MERGER OF
GEORGETOWN BANK, GEORGETOWN, MASSACHUSETTS
WITH AND INTO
SALEM FIVE CENTS SAVINGS BANK, SALEM, MASSACHUSETTS**

Salem Five Cents Savings Bank, Salem, Massachusetts (Salem Five) has applied to the Division of Banks (Division) for authority to merge with Georgetown Bank, Georgetown, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Merger dated as of October 6, 2016, Georgetown Bank will merge with and into Salem Five under the charter, by-laws, and name of Salem Five (Continuing Institution). The main office of Salem Five will remain the main office of the Continuing Institution after consummation of the proposed merger, and the Continuing Institution will retain all of the banking offices of Georgetown Bank as branch offices. The former Georgetown Bank branches may, for a period, operate under the name "Georgetown Bank, a division of Salem Five Cents Savings Bank." The merger application was filed in connection with a multi-step transaction in which Salem Five Bancorp, a Massachusetts mutual holding company, will indirectly acquire the stock of Georgetown Bank through a merger of Georgetown Bank's bank holding company, Georgetown Bancorp, Inc. (Georgetown Bancorp) with Bright Star, Inc. (Bright Star), a wholly-owned subsidiary of Salem Five Bancorp formed for the sole purpose of facilitating this multi-step transaction.

According to an Agreement and Plan of Merger dated as of October 5, 2016, at the effective time of the proposed transaction, Bright Star will merge with and into Georgetown Bancorp resulting in Georgetown Bancorp becoming a subsidiary of Salem Five Bancorp and with Georgetown Bank becoming an indirect subsidiary of Salem Five Bancorp (Parent Merger). At the time of the Parent Merger, Georgetown Bank will merge with and into Salem Five (Bank Merger), and Georgetown Bancorp will dissolve and liquidate into Salem Five Bancorp.

Legal and Procedural Requirements

Notice of Salem Five's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired, and no comments were received. The Division reviewed the application and supplementary materials submitted by Salem Five in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed transaction. The Division considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors.

The Parent Merger will be completed pursuant to the authority set forth in Massachusetts General Laws chapter 167H, section 7. An application to the Commonwealth's Board of Bank Incorporation is not required for the proposed transaction because, pursuant to Massachusetts General Laws chapter 167A, section 3, the Parent Merger and Bank Merger will occur virtually simultaneously, and the Bank Merger requires the Division's approval. In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated December 14, 2016. In addition, the Depositors Insurance Fund confirmed by letter dated December 9, 2016 that satisfactory arrangements have been made in conjunction with the Bank Merger relative to providing excess deposit insurance for deposits of the Continuing Institution.

The Parties

Salem Five is a Massachusetts-chartered savings bank and is the sole banking subsidiary of Salem Five Bancorp, a Massachusetts mutual holding company. In addition to its main office in Salem, Massachusetts, Salem Five operates 30 full-service branch offices in the Massachusetts counties of Essex, Middlesex, Norfolk, and Suffolk. As of March 31, 2017, Salem Five had total assets of approximately \$4.2 billion and total deposits of approximately \$3.1 billion. Salem Five offers a full range of personal and business checking, deposit, and loan products and services. Salem Five's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC), and amounts in excess of FDIC insurance are insured by the Depositors Insurance Fund.

Georgetown Bank is a federal savings bank and the sole banking subsidiary of Georgetown Bancorp. In addition to its main office in Georgetown, Massachusetts, Georgetown Bank operates two branch offices in North Andover and Rowley, located in Essex County. Georgetown Bank also operates one branch office in Stratham, New Hampshire. As of March 31, 2017, Georgetown Bank had total assets of approximately \$321.8 million and total deposits of approximately \$242.8 million. Georgetown Bank offers a range of personal and business checking, deposit, and loan products and services. Georgetown Bank's deposits are insured up to allowable limits by the FDIC.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index (HHI), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. In this case, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. In addition to that analysis, the Division considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. In that regard, Salem Five presented information that the proposed transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities served by the Continuing Institution. While the relevant geographical market and primary service areas of Salem Five and Georgetown Bank are somewhat overlapping, North Andover is the only community where both banks have a banking office. Furthermore, a number of other banks and financial institutions also maintain banking offices in North Andover, thereby minimizing any impact that the proposed transaction will have on the citizens and banking structure in that community. Accordingly, the review of the transaction's impact on competition supports its approval.

Public Convenience and Advantage

The Division next considered the record of the application to determine whether public convenience and advantage will be promoted. Salem Five indicates that the banking public will benefit as a result of the proposed merger. As discussed further below, the customers of Georgetown Bank will have increased access to products and services offered by Salem Five, many of which are not available at Georgetown Bank.

In determining whether to approve a petition under the statutory criteria, the Division is required to consider a showing of "net new benefits" related to the transaction. That term as set out in section 3 of said chapter 167I includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. Salem Five addressed this requirement of the statute. The Continuing Institution plans to make capital investments of approximately \$500,000 in new equipment and signage. With regard to employment, Salem Five currently anticipates that all employees of both banks will be retained. The materials submitted as part of the application indicate that customers of Georgetown will benefit from expanded and enhanced products and services, including access to insurance and wealth management services. Customers of Georgetown Bank will also obtain excess deposit insurance coverage provided by the Depositors Insurance Fund. The Continuing Institution will initially maintain all of the banking offices of Georgetown Bank as branch offices. However, Salem Five has disclosed that it is considering closing Georgetown Bank's North Andover branch in the future due to its proximity to an existing Salem Five branch. Nevertheless, customers of both banks will find additional convenience conducting their banking business from the larger branch and ATM network of the Continuing Institution. Accordingly, the factors related to public convenience and advantage, including net new benefits, are consistent with approval of Salem Five's application.

Related to the issue of public convenience and advantage is the record of CRA performance by the banks that are parties to this transaction. Such review for Massachusetts-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. For other institutions, the Division looks to a publicly available descriptive rating and evaluation by the supervising federal or state regulatory agency. Salem Five received a "Satisfactory" rating in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of January 14, 2013. Georgetown Bank also received a "Satisfactory" rating in its most recent CRA performance evaluation conducted by the Office of the Comptroller of the Currency as of February 20, 2015. The Division's consideration of the CRA performance of Salem Five and Georgetown Bank also supports the approval of the proposed merger.

Financial and Managerial Considerations

The Division also reviews and considers the financial and managerial aspects of the proposed transaction. According to materials submitted as part of the application, at the effective time of the proposed transaction, each share of Georgetown Bancorp stock issued and outstanding will convert to the right to receive cash in accordance with a negotiated exchange ratio. This transaction will be financed through the Federal Home Loan Bank, thereby maintaining sufficient liquidity for the Continuing Institution. Materials provided indicate that upon consummation of the transaction, the Continuing Institution will meet all regulatory capital requirements.

According to the application, the boards of directors and senior management of Salem Five Bancorp and Salem Five will not change as a result of the proposed transaction. Accordingly, upon review, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met, and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Georgetown Bank to merge with and into Salem Five under the charter, by-laws, and name of Salem Five pursuant to section 3 of chapter 167I of the General Laws. Approval is also granted for Salem Five to maintain the four banking offices of Georgetown Bank as branch offices under the name "Georgetown Bank, a division of Salem Five Cents Savings Bank."

The approval granted herein is subject to the following conditions:

1. That the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement thereon;
2. That the proposed merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. That the proposed merger shall be consummated within one year of the date of this Decision.

May 9, 2017

Date

Terence A. McGinnis

Commissioner of Banks

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